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PUBLIC VERSION

VIA U.S. MAIL

Ms. Carmen Suro-Brodie
Chair, Trade Policy Review Committee
Office of the United States Trade Representative
600 17th St. N.W.
Washington, DC 20508

Re: Ispat Mexicana's Request to Exclude Products From Import Relief Under Section 203

Dear Ms. Suro-Brodie:

Pursuant to the notice published at 66 Fed. Reg. 54,321 on October 26, 2001, Ispat Mexicana, S.A. de C.V. ("Imexsa") submits this exclusion request for certain slab products identified and described herein. Imexsa contends that these products should be excluded from any import relief granted by the President under Section 203(a) of the Trade Act of 1974 ("Trade Act"), as amended (19 U.S.C. 2253(a)), as they are essential to the production processes of numerous domestic steel makers and are either not produced by domestic firms or not offered for sale by those firms in the U.S. merchant market.

Imexsa is Mexico's largest steel producer and only slab exporter. The company is the only dedicated slab producer in the world using the Direct Reduced Iron ("DRI")/Electric Arc Furnace ("EAF") continuous casting method for its entire production, using DRI as its primary

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metallic input for steel-making. Because of its specialized equipment, continual quality improvements, and close technical interaction with end users, Imexsa has been able to market slabs to top quality flat-rolled and tubular producers worldwide, including such U.S. producers as **[names of Imexsa's three largest U.S. customers]**. In 2000, Imexsa supplied **[250,000 – 2.0 million]** short tons of top quality, made-to-order slab products to its U.S. customers.

(a) Approximately half of those **[250,000 – 2.0 million]** short tons consisted of two varieties of slab that are unavailable from domestic slab producers in the U.S. merchant market: (1) slab produced for American Petroleum Institute (“API”) Oil Country Tubular Goods (“OCTG”) and API line pipe, including both sour gas and standard applications (“API OCTG and line pipe slab”); and (2) extra low carbon content slab with a maximum of 0.045% carbon content, produced with a vacuum degassing process (“extra low carbon slab”). Category one is a subset of HTS classification number 7224.90.00.55. Category two is a subset of the following HTS classification numbers: 7207.12.00.10, 7207.12.00.50, 7207.20.00.25, and 7207.20.00.45.

(b) API OCTG and line pipe slabs are micro-alloyed steels with a very clean internal quality, low sulfur content (.005% maximum), high mechanical properties, high corrosion resistance, and high weldability properties. These properties allow these grades to perform under extreme temperatures and pressures—qualities that are critical to OCTG applications. Extra low carbon slabs have very high drawing properties. This quality is needed in critical drawing applications of the automotive and home appliance industries. Examples of the chemical characteristics of these two categories of slab are detailed in Attachment A.

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(c) These two varieties of specialized slab should be excluded from any import relief for a very simple reason—they are required inputs for many U.S. flat-rolled and tubular goods producers, and are unavailable from domestic slab producers in the U.S. merchant market. This market condition for API OCTG and line pipe slab is verified by the attached affidavit of J. Paul Leatherwood, Vice President of Purchasing & Transportation Services for Lone Star Steel, **[one of Imexsa's largest customers to which Imexsa supplied 250,000 – 1.5 million short tons in 2000]**. See Leatherwood Affidavit, Attachment B, at ¶¶4-6.

(d) The following chart details the quantity and value of Imexsa's shipments of these two products to the United States from 1996 through June of 2001:

Quantity (in short tons) of Mexican exports of API OCTG and line pipe to the United States: [amounts ranging from 100,000 to 1,000,000 in each year]					
1996	1997	1998	1999	2000	Jan.-June 2001
[]
Value (landed, duty-paid in U.S. dollars) of Mexican exports of API OCTG and line pipe to the United States (000's): [amounts ranging from 25,000 to 250,000]					
1996	1997	1998	1999	2000	Jan.-June 2001
[]

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Quantity (in short tons) of Mexican exports of extra low carbon slabs to the United States: [amounts ranging from 0 to 500,000 in each year]					
1996	1997	1998	1999	2000	Jan.-June 2001
[]
Value (landed, duty-paid in U.S. dollars) of Mexican exports of extra low carbon slabs to the United States (000's): [amounts ranging from 0 to 100,000 in each year]					
1996	1997	1998	1999	2000	Jan.-June 2001
[]

Imexsa understands that the following foreign producers also supply API OCTG and line pipe slab to the U.S. market, but Imexsa is unaware of the volume or value of their exports: **[names of four foreign steel producers]**. See Leatherwood Affidavit, at ¶6. To Imexsa's knowledge, there is no U.S. producer that supplies either of these two grades for sale in the U.S. merchant market.

(e) Beyond the quantities sold by Imexsa to its U.S. customers, the company has no knowledge of U.S. demand for these two grades of slab, nor is it aware of demand projections in the market from 2001 to 2005.

(f) As noted in item (d) above, it is Imexsa's understanding from its customer contacts that the two varieties of slab described herein are unavailable from domestic producers in the U.S. merchant market. Imexsa is unaware of the manufacture of these products for internal consumption by U.S. producers or the capability of these producers to make these grades of slab.

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(g) The two grades of slab described herein are highly specialized, and, to Imexsa's knowledge, no viable non-steel substitutes for these products exist either domestically in the United States or abroad.

For the foregoing reasons, Imexsa requests that the United States Trade Representative exclude API OCTG and line pipe slab and extra low carbon slab from any import relief granted by the President under Section 203(a) of the Trade Act.

Respectfully submitted,

/s/

Murray J. Belman
David M. Schwartz
Mark L. Parsons

Counsel to Ispat Mexicana, S.A. de C.V.

ATTACHMENT A

All extra low carbon grades are produced using vacuum degassing. The carbon ranges may vary from **[one very low carbon content level to an even lower carbon content level]**, depending on the final application. Below is a listing of the chemical specifications of some of the grades that Imexsa is currently producing:

[The table in the proprietary version contains the chemical content of seven grades of extra low carbon slab.]

Examples of the typical chemistries currently produced by Imexsa for API line pipe sour gas and sweet applications are as follows:

[The table in the proprietary version contains the chemical content of three grades of API line pipe slab.]

Examples of the typical chemistries currently produced by Imexsa for API OCTG grades are as follows:

[The table in the proprietary version contains the chemical content of three grades of API OCTG slab.]

Special characteristics of sour gas grades are as follows:

[The table in the proprietary version contains the chemical characteristics of sour gas grades.]

ATTACHMENT B

AFFIDAVIT OF J. PAUL LEATHERWOOD

J. Paul Leatherwood, being duly sworn, hereby deposes and states:

1. I am Vice President of Purchasing & Transportation Services for Lone Star Steel Company (“Lone Star”). I make this statement in support of the product exclusion request of Ispat Mexicana, S.A. de C.V. (“Imexsa”), submitted to the United States Trade Representative in connection with the U.S. International Trade Commission’s Investigation TA -201-73.
2. My company, located near Lone Star, Texas, manufactures and markets electric resistance welded tubes with the core products being oil country tubular goods (“OCTG”), line pipe, and precision mechanical tubing. Annually, Lone Star uses **[ranged yearly tonnage data—500,000 to 1,500,000]** net tons of slabs. Approximately **[ranged percentage—50 to 100%]** of the slabs are purchased on the merchant market because **[explanation of why Lone Star purchases slab on the merchant market.]** In short, our company depends heavily on merchant market access to large volumes of the highest quality, special-grade continuous cast slabs that we can find.
4. These grades are slabs produced specifically for API OCTG and line pipe, including both sour gas and standard applications (“API OCTG & API line pipe slabs”). These commercially recognized grades are micro-alloyed steel with a very clean internal quality, low sulfur content, high mechanical properties, high corrosion resistance, and high weldability properties. These properties allow these steel grades to perform under extreme temperatures and pressures—qualities that are critical to API OCTG applications.
5. During the **[8-20]** years that Lone Star has been buying slabs, domestic slab sources have been afforded every opportunity to sell these types of slabs to Lone Star but have provided only minimal quantities due to availability, chemistries, and caster configurations. The most recent inquiries to domestic producers in July 2001 again failed to produce any slabs

meeting our requirements. While some of the domestic slab producers manufacture API OCTG and line pipe slabs for their own internal consumption, it is Lone Star's experience that the specialized grades of slabs Lone Star requires, which have extremely restrictive chemistry ranges, are simply unavailable for purchase in the U.S. merchant market.

6. Because of its geographic proximity and its ability to manufacture high-quality, made-to-order API OCTG and API line pipe slabs that meet Lone Star's chemistry and dimension requirements on a consistent basis, **[name of supplier that meets these requirements]**. In 2000, Lone Star purchased approximately [625,200] net tons of API OCTG and API line pipe slabs from **[name of supplier]**. Lone Star also purchases these slabs from other foreign suppliers such as **[names of foreign suppliers]**.

7. Without **[name of supplier]** as a reliable source of API OCTG and line pipe slabs, Lone Star would face an uncertain future. Our company's manufacturing facility would have to sharply curtail its production or, worse, shut down, jeopardizing the jobs of 1,700 employees. It is therefore Lone Star's sincere belief that API OCTG and line pipe slabs should be excluded from any import relief that is imposed in this investigation.

/s/ _____
J. Paul Leatherwood

Subscribed to and sworn before me this ____ day of November 2001.

/s/ _____
Notary Public

My commission expires:
